



Internal Audit Report

County Attorney's Office
June 2003



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June 26, 2003

Fulton Brock, Chairman, Board of Supervisors
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We have completed our FY 2002-03 review of the County Attorney's Office. The audit was performed in accordance with the annual audit plan that was approved by the Board of Supervisors.

The highlights of this report include the following:

- The Check Enforcement Bureau has implemented appropriate controls over cash receipts, bank reconciliations, and cash disbursements
- Controls over Check Enforcement Bureau credits should be strengthened
- The County Attorney's Office does not independently track accounts receivable from their Drug Diversion program

Attached are the report summary, detailed findings, recommendations, and the County Attorney's response. We have reviewed this information with the County Attorney's Office and appreciate the excellent cooperation provided by his staff. If you have questions, or wish to discuss items presented in this report, please contact Joe Seratte at 506-6092.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

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Executive Summary

Cash Receipt Controls (Page 5)

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Drug Diversion Fee Revenue (Page 8)

The County Attorney's Office does not independently track amounts due from the Drug Diversion program, relying exclusively on the Treatment Assessment Screening Center to accurately collect and account for drug diversion fees. Unreported revenues may go undetected in the absence of an independent tracking system maintained by the County Attorney. The County Attorney's Office should consider independently tracking individual transaction data to obtain direct assurance that all amounts due are accurately and timely paid.

Automated System (Page 10)

During our review of the Check Enforcement Bureau's automated system, we identified several control weaknesses including excessive user access to the automated system, weak change control procedures, and an incomplete disaster recovery plan. These weaknesses may affect the availability and/or the integrity of the system. The County Attorney's Office should strengthen controls over the automated system.

Introduction

Background

The County Attorney is an elected and constitutional officer. The Maricopa County Attorney's Office (MCAO) is the chief prosecuting agency for the County. MCAO is responsible for prosecuting all felonies that occur in Maricopa County and all misdemeanors that occur in unincorporated areas. In addition to traditional prosecutorial duties, MCAO conducts the following services:

- Provides legal counsel for the Board of Supervisors and all County departments
- Conducts criminal investigations and provides assistance to law enforcement agencies in the detection, investigation, and prevention of criminal activity
- Provides victim's rights information and assistance to all victims of crimes prosecuted by MCAO
- Prosecutes both felony and misdemeanor offenses committed by juveniles who commit delinquent or incorrigible acts such as truancy or curfew violations
- Advises neighborhood associations and other agencies through the Community Action Bureau concerning issues such as slums, graffiti, illegal dumping, and dust control
- Oversees the Bad Check Enforcement Program, obtaining restitution for businesses and individuals, and prosecuting bad check writers

Scope Limitation

Due to limited resources, this engagement was restricted to a review of MCAO financial activities. The chart below identifies MCAO financial activities considered for audit.

<i>MCAO Division or Operational Area</i>	<i>Type of Financial Activity</i>
Administrative	General ledger transactions, grant management, accounts payable, fixed assets, and procurement.
Pre-Trial	Cash receipts and disbursements within the Check Enforcement Bureau.
Trials	Accounts receivable and cash receipts for discovery costs (copy charges to outside attorneys).
Victim Services	Cash receipts and disbursements generated from the Victim Compensation Bureau.
Drug Crime Prosecution	Cash receipts from the drug diversion program run through Treatment Assessment Screening Center (TASC).

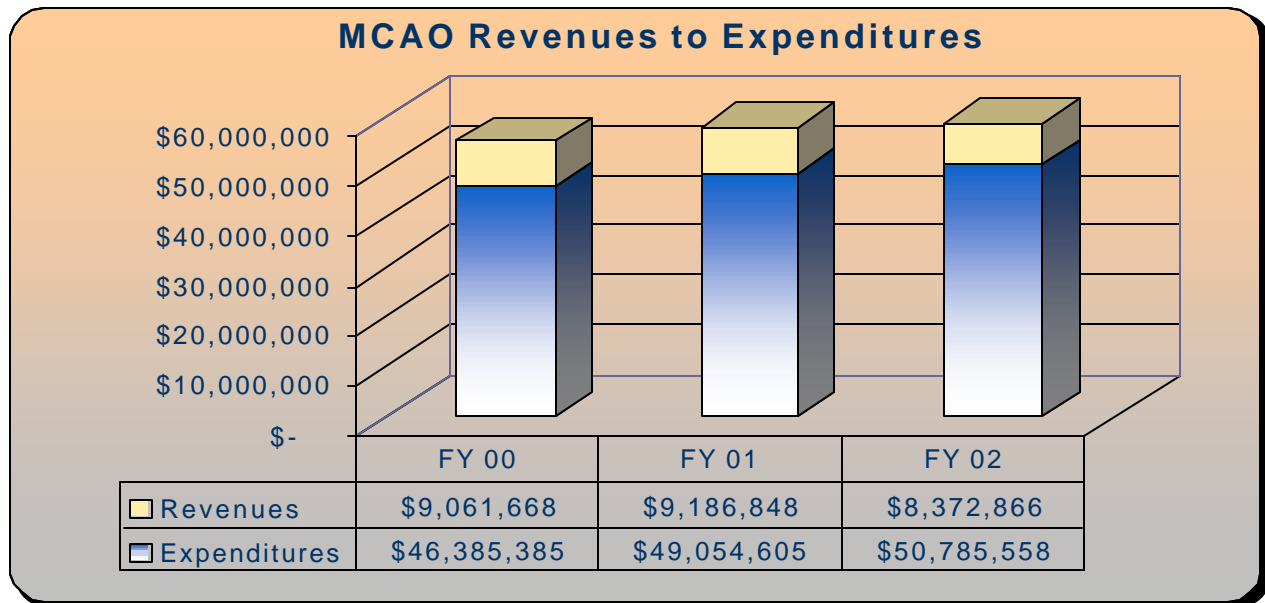
Mission and Goals

The mission of the MCAO is to provide quality prosecution, victim services, crime prevention, and legal counsel for county government on behalf of the people of Maricopa County so that they can live in a safe and well-governed community.

MCAO has established the following goals:

- By 2003, identify and implement strategies that provide market appropriate salaries for employees, salary advancements commensurate with performance and experience, career development counseling, training and other employee benefits and work/personal life balance issues to reduce turnover
- Annually assess crime distribution trends and legislative changes to determine if additional enforcement initiatives and/or prosecution programs are needed in order to protect the safety of the public and improve the quality of life in our neighborhoods
- Reduce the percentage of criminal cases open longer than 180 days each year over the next five years while adhering to MCAO policies and procedures, quality standards and attorney ethics
- By 2003, implement computer applications that will integrate existing applications internal to MCAO in order to reduce redundant data entry, ensure data integrity, improve the MCAO's ability to adhere to statutory and county mandated deadlines, and enhance management processes and reports
- By 2002, ensure that access to the MCAO network, applications and data is secured in accordance with projected state and federal requirements
- By 2005, implement designated projects in accordance with the Maricopa County Integrated Criminal Justice System strategic business plan to share case information data between other criminal justice agencies in a timely, secured manner in order to increase data integrity and reduce redundant data entry
- By 2003, develop and implement a case tracking system for the Division of County Counsel which will enable the Division to formulate and track measurable goals, increase quantity and quality of legal services delivered, reduce service response and/or completion time, and improve client satisfaction

MCAO's operating budget for FY 2002 was \$52.3 million. The graph below shows the Office's revenues and expenditures for the last three fiscal years.



Scope and Methodology

Our audit objectives were to:

- Verify that fee income received from Treatment Assessment Screening Center (TASC) is accurate, appropriately documented, and timely received
- Verify that Check Enforcement Bureau (CEB) cash receipts are appropriately disbursed and accurately recorded
- Determine if CEB cash receipt controls ensure assets are safeguarded, and accurately reported
- Verify that bank statement reconciliations are properly and timely prepared, outstanding items are adequately managed, and that reconciliation duties are appropriately segregated

This audit was performed in accordance with generally accepted government auditing standards.

Issue 1 Cash Receipt Controls

Summary

The Check Enforcement Bureau has implemented appropriate controls over cash receipts, bank reconciliations, and cash disbursements. System edit controls over administrative credits (non-cash write-offs) could be improved. Control weaknesses over administrative credits increase the likelihood of errors or irregularities. The Check Enforcement Bureau should enhance controls over administrative credits and establish a process for reporting monthly court and administrative credits.

Criteria

The State and Local Government Committee of the American Institute of Certified Public Accountants (AICPA) has established a comprehensive list of safeguards and procedural controls over cash receipts and disbursements. Some of the most important ones include:

- Appropriate segregation of duties between cash collections and disbursements
- Controls over receipt, timely deposit, and recording of collections in the accounting records
- Accounting for all receipts and balancing them to collections daily

Cash Receipts Testing

We selected a judgmental sample of 20 Check Enforcement Bureau (CEB) transactions for review. We traced these transactions from initial receipt to corresponding deposit, verifying that cash receipts represented valid, accurate transactions. Sample testing demonstrated that receipts from check writers are accurately accounted for, effectively controlled, and adequately protected. We also analyzed all bank reconciliations for FY 2002. CEB performed FY 2002 bank reconciliations in an accurate and timely manner.

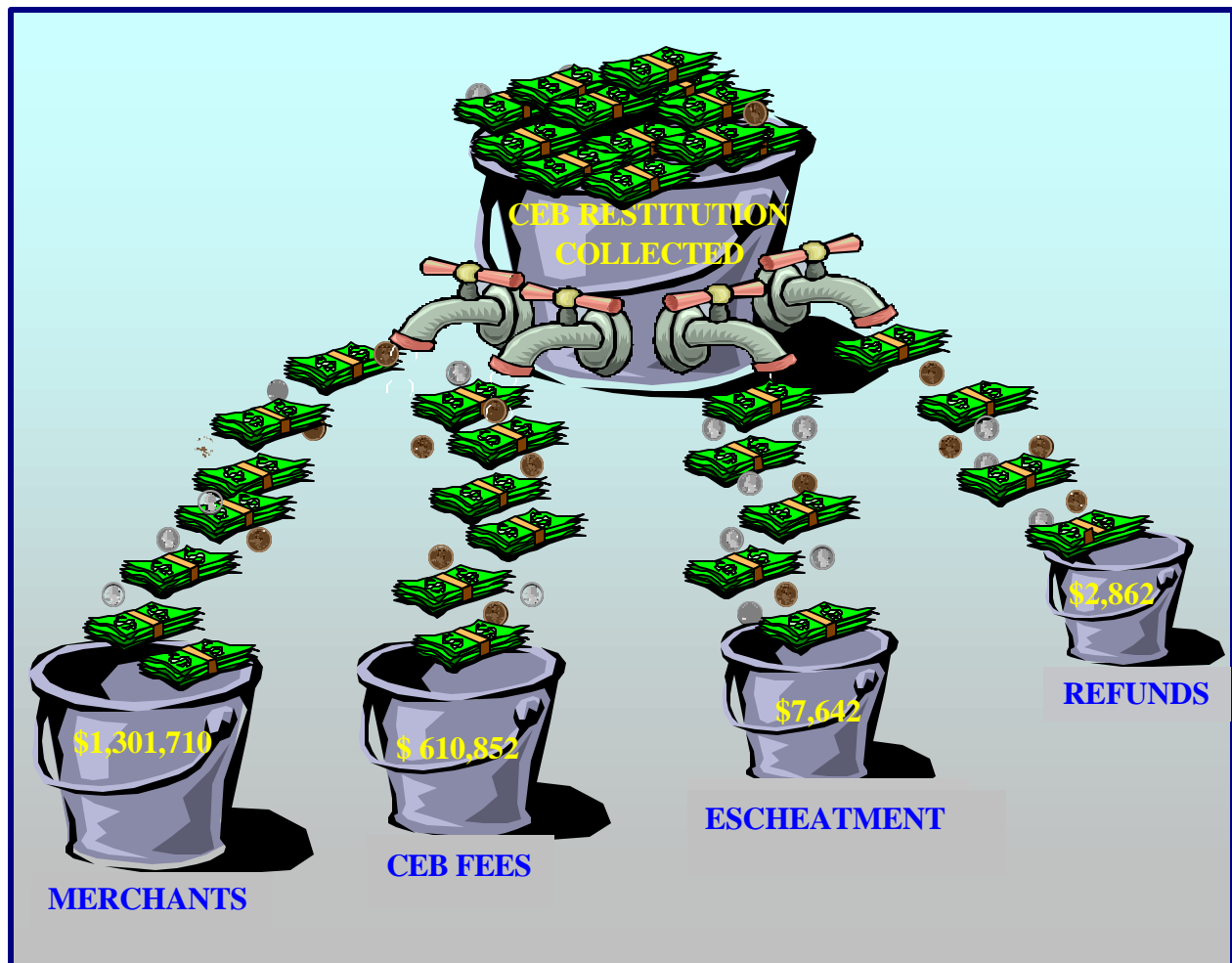
We reviewed the CEB cash receipts process to ensure it contained applicable, effective internal controls. Our review found no significant weaknesses and indicated the following controls were consistently applied:

- Checks received through the mail were recorded in the CEB mail log, recorded on the cash receipt journal, and posted to the correct check writer account
- Daily closing records were supported by source documents, including deposit slips, bank statements, and receipt journals
- Cash receipt transactions were tracked by individual cashier
- Monthly bank reconciliations were properly performed and completed within 30 days of the bank statement date
- Physical security over the CEB cashing area appeared to be adequate

CEB Restitution Collections

We analyzed CEB cash disbursement controls and verified that FY 2002 cash receipts were properly disbursed. CEB receipts are apportioned between CEB's merchant clients (restitution for bad checks), statutory fees for the operation of CEB, refunds of overpayments to check writers, and escheatment of unclaimed warrants issued by CEB throughout the year. Receipts are processed through the Harvest software system, which generates several reports (cash disbursement, check writer refund, and accounts payable). Month end reports are used to verify that CEB collections are appropriately disbursed. The diagram below depicts FY 2002 CEB cash disbursements:

CEB DISBURSEMENT PROCESS



Our analysis of CEB cash disbursements indicates that apportionments are accurately calculated, recorded, and disbursed.

Administrative and Court Credits

CEB applies credits to outstanding check writer accounts in two cases:

- 1) Based on judicial directives (court credits)
- 2) To clear active check writer accounts of small amounts owing, and to write off amounts that are not collectible (administrative credits).

We compared CEB's written policy on account credits with the account history information on ten FY 2002 credit transactions and noted no exceptions. Although CEB enforces a written policy of pre-approval by CEB management, CEB Harvest financial system does not prevent unauthorized access to administrative and court credits. Documentation and reporting of controls over credits are limited to notes in the transaction history screens and hard copy files. An embedded system edit check and a more detailed reporting process would enhance management's ability to control this important area.

Criteria

County Administrative Policy A2501- Uncollectable Accounts Receivables states that departments that generate accounts receivables should develop internal policies and procedures, review all accounts to determine their collectibility, and regularly monitor collection activities.

Effect on County

FY 2002 write-offs reduced CEB fee revenue by \$77,000. This figure represents 12 per cent of CEB FY 2002 statutory revenues.

Recommendation

MCAO Management should consider:

- A. Developing a system edit control to prevent unauthorized credits and changes to existing credits
- B. Establishing a process for reporting monthly court and administrative credits to MCAO's Finance Bureau

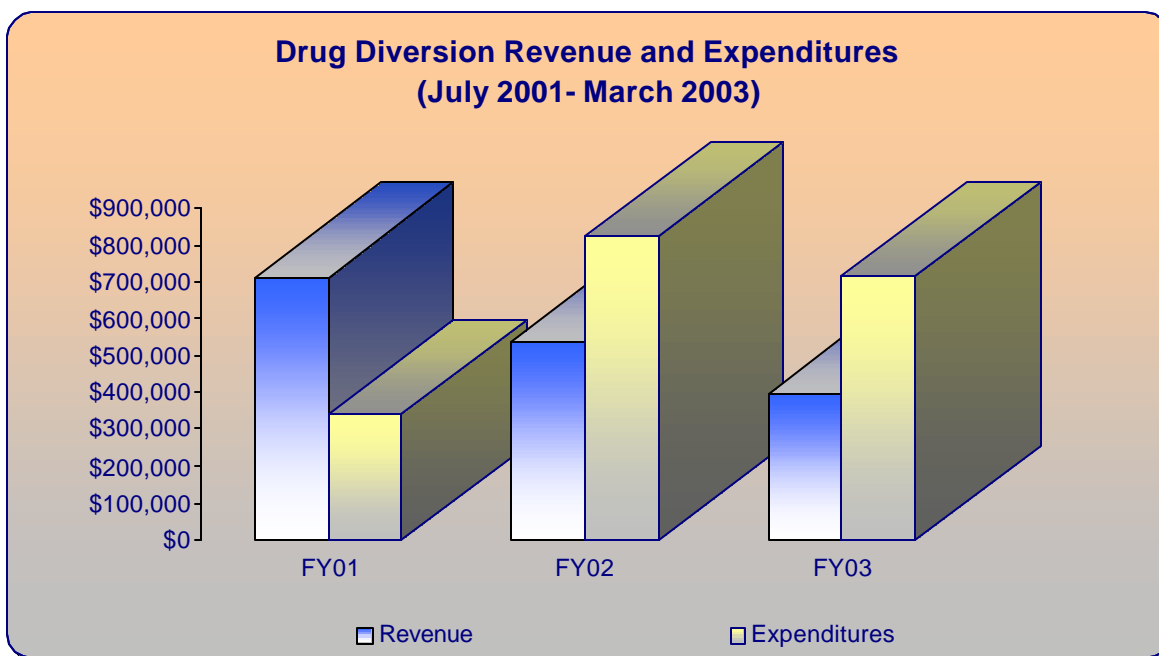
Issue 2 Drug Diversion Fee Revenue

Summary

The County Attorney's Office does not independently track amounts due from the Drug Diversion program, relying exclusively on the Treatment Assessment Screening Center to accurately collect and account for drug diversion fees. Unreported revenues may go undetected in the absence of an independent tracking system maintained by the County Attorney. The County Attorney's Office should consider independently tracking individual transaction data to obtain direct assurance that all amounts due are accurately and timely paid.

MCAO and TASC

MCAO offers a program for first-time felony drug offenders, which provides rehabilitation and education opportunities to participants. MCAO conducts this program under a Memorandum of Understanding with the Treatment Assessment Screening Center (TASC), a non-profit organization. Included in participant charges is an MCAO fee remitted monthly by TASC. The Drug Diversion program helps fund drug prevention and education programs throughout Arizona. In FY 2001, MCAO began spending down the Drug Diversion fund balance (Special Revenue Fund 220), accounting for the timing differences between year to year revenue and expenditures. The FY 2002 Special Revenue fund balance was approximately \$1.5 million, while the FY 2003 year-end fund balance is projected at \$1.3 million. Based on the size of the remaining fund balance, MCAO will continue to spend down this excess balance until MCAO and the Budget office determine the Drug Diversion Special Revenue Fund achieves structural balance. The chart below depicts MCAO Drug Diversion revenue and expenditures for the period July 2001 through March 2003:



Diversion fee revenue ranges from \$500 to \$1,200 per participant

TASC Transaction Review

Internal Audit did not identify any unreported fees when reviewing a sample of 25 transactions. No exceptions were noted in the transaction review.

However, due to deficiencies within the TASC accounting system, in five of the 25 samples, TASC reported an incorrect balance due. In all five cases, MCAO received the full amounts owed prior to the participant completing the program. Compensating for TASC system weaknesses is a series of manual reviews performed by the TASC case managers and supervisors prior to release from the program. These compensating controls effectively prevented underpayments in the transactions that we tested.

However, TASC's manual review may not be effective in all cases. Incorrect balances carried by TASC indicate that the County Attorney's Office should consider tracking TASC revenue independently.

Criteria

It is MCAO's fiduciary responsibility to ensure that payments due from participants are recorded accurately and timely. The AICPA Government Accounting and Financial Reporting Manual states that records of payments due should be used to track outstanding receivables for fines, forfeitures, and court fees.

Effect on County

MCAO's reliance on TASC internal controls to ensure that all drug diversion fees are accurately received does not protect drug diversion revenue from miscalculation or misappropriation.

Recommendation

MCAO should consider independently tracking individual transaction data to obtain direct assurance that all amounts due are accurately and timely paid

Issue 3 Automated System

Summary

During our review of the Check Enforcement Bureau's automated system, we identified several control weaknesses including excessive user access to the automated system, weak change control procedures, and an incomplete disaster recovery plan. These weaknesses may affect the availability and/or the integrity of the system. The County Attorney's Office should strengthen controls over the automated system.

Change Control

Industry leading practices indicate that documented procedures should be in place for users to request modifications and enhancements to applications, document requirements for the modification, and approve/prioritize expenditure of resources. Modifications to the automated system do not follow a documented standard change control process. This presents a risk that unauthorized or inadequately tested modifications will be moved to production and adversely impact the users. Formal change control procedures were not in place when support of the automated system changed from the original developer to a contract programmer.

User Access

Information Technology (IT) leading practices indicate that users should be restricted from processing functions which are outside of their job responsibilities. Automated system users currently have access to nearly every function within the application. The risk is increased that unauthorized or inaccurate information will be processed on the automated system. The profiles, created to limit access to specific job functions, are cryptic and require programmer knowledge to determine their proper use. In order to provide access to the necessary functions, the Check Enforcement Bureau has placed all users into groups that have full or nearly full access.

Disaster Recovery Plan

Industry leading practices indicate that an entity's Disaster Recovery Plan should provide contact information for critical team members and their assigned roles. The Disaster Recovery Plan for the automated system does not identify critical team members and their assigned roles for recovering the system. The risk exists that substantial time will be required to organize resources and will result in a delayed recovery. The automated system Disaster Recovery Manual was developed as a technical reference rather than an operational guide to recovering the system.

Recommendation

The County Attorney's Office should:

- A.** Establish a change control process that requires all modifications to be documented, tracked, tested, and approved.
- B.** Use the security within the application to limit user access to only those functions necessary to perform their respective job responsibilities.
- C.** Identify the Disaster Recovery Team for the automated system and document their corresponding roles and responsibilities.

Office Response

AUDIT RESPONSE
Maricopa County Attorney's Office
June 6, 2003

The Maricopa County Attorney's Office appreciates the review performed by Internal Audit of the Check Enforcement Bureau cash receipt and disbursement controls, Drug Diversion Fee Revenue and the Check Enforcement automated system (called "Harvest"). We were pleased that Internal Audit found that the Check Enforcement Bureau cash receipt and cash disbursements were accurately recorded, calculated and disbursed with appropriate controls. We were also pleased that Internal Audit found that fees received from Treatment Assessment Screening Center (TASC) (the program providing drug diversion services for the County Attorney's Office) have been appropriately disbursed to the County Attorney's Office.

The Maricopa County Attorney's Office concurs with each of Internal Audit's findings and provides the following responses.

Issue #1: Administrative and Court Credits

County Administrative Policy A2501 – Uncollectable Accounts Receivables states that departments that generate accounts receivables should develop internal policies and procedures, review all account to determine their collectibility, and regularly monitor collection activities.

Recommendation A: Develop a system edit control to prevent unauthorized credits and changes to existing credits.

Response: Concur – full implementation not currently possible due to budget limitations. This recommendation will require a database change by an outside Programmer at a rate of approximately \$100/hour. However, since CEB has limited resources at this time changes to the database may have to wait until next fiscal year (03-04).

Target Completion Date: June 30, 2004, if funding is available

Benefits/Costs: Increased control over accuracy and accountability.

Recommendation B: Establish a process for reporting monthly court and administrative credits to MCAO's Finance Bureau

Response: Concur

The Audit indicates a recommendation for reporting the Administrative and Court Credits. This process is used within Check Enforcement to write off amounts not granted by the courts or to clean up small amounts due on open balances. The database has a reporting function that allows for the generation of Administrative Credit and Court Credit totals based on date parameters. The Check Enforcement Bureau will provide monthly reports of the Administrative and Court Credits to the Pretrial Division Chief and the Administrative Services Division Chief.

Target Completion Date: June 1, 2003 (completed)

Benefits/Costs: Improved management control

Issue #2:

It is MCAO's fiduciary responsibility to ensure that payments due from participants are recorded accurately and timely.

Recommendation: MCAO should consider independently tracking individual transaction data to obtain direct assurance that all amounts due are accurately and timely paid.

Response: Concur – implementation not currently possible.

The Internal Audit Report accurately notes that the County Attorney's Office does not independently track amounts due from the TASC Drug Diversion program. The Audit Report also notes, however, that no unreported fees or underpayments were discovered. In addition to Maricopa County's audit, the TASC Drug Diversion Program is also regulated by an annual independent audit by McGladrey and Pullen.

In order to independently track amounts due from the TASC Drug Diversion Program, the Maricopa County Attorney's Office would need additional staff to collect and record information for reporting purposes. Specifically, the Maricopa County Attorney's Office would need additional staff and resources to accomplish the following:

- 1) Develop a method to match successful completions of the program and sliding scale approvals to the individual payments.
- 2) Develop a method to check and report all other diversion cases for dispositions other than successful completions.
- 3) Develop centralized data collection procedures so that data from post-file diversion cases in all the trial and pre-trial divisions could be collected in one report for tracking.

Target Completion Date: Delayed due to lack of funding

Benefits/Costs: To implement this recommendation would require a full time Legal Support Assistant

Issue #3:

During our review of the Check Enforcement Bureau's automated system, we identified several control weaknesses including excessive user access to the automated system, weak change control procedures, and an incomplete Disaster Recovery Plan. The weaknesses may affect the availability and/or integrity of the system. The County Attorney's Office should strengthen controls over the automated system.

Recommendation A: MCAO should establish a change control process that requires all modifications to be documented, tracked, tested and approved.

Response: Concur

The Harvest application was placed under MCAO's Change Control procedures in February, 2003. Those procedures require the following:

1. Any changes, "bug fixes", or new development are first documented by an approved *business owner*;
2. The *developer* makes the appropriate changes;
3. The *business owner* tests and approves the changes;
4. A "release" is created by the *applications manager*. It is at this point that the process is verified: that all steps have been approved and tested, release notes have been created, and that the software has been maintained in the source control system.
5. The release is distributed to a limited group for further testing through Novell utilities.
6. Once approved by the *business owner*, the release is distributed to all Harvest users.

To support this procedure, MCAO uses the following tools:

- Microsoft Visual Source Safe;
- Mantis (an open source defect tracking system);
- Novell.

Target Completion Date: Completed.

Benefits/Costs: Improved system security

Recommendation B: MCAO should use the security within the application to limit user access to only those functions necessary to perform their respective job responsibilities.

Response: Concur – in process

Complying with this recommendation would align the Harvest application with the security practices of MCAO's "core" applications. The procedure employed would be as follows:

1. CEB coordinator requests access for a specific individual via a "SAR" (Service Request) form. This form identifies the level of security required.
2. ITD's security administrator implements the security configuration for that user.

Target Completion Date: 8/31/2003.

Benefits/Costs: Harvest's security functions were developed by a contractor. They will need to be tested, documented, and potentially corrected before they can be implemented in the manner described above.

Recommendation C: MCAO should identify the Disaster Recovery Team for the automated system and document their corresponding roles and responsibilities.

Response: Concur

Procedures have been revised to require CEB staff to contact the ITD help desk in the event of a system disaster. This central coordination point then verifies that the problem exists and then notifies the appropriate staff. ITD currently has policies in place and the associated technical manuals to guide the experienced staff through the necessary steps to restore the application.

Target Completion Date: Completed

Benefits/Costs: Improved response should an emergency occur

Approved By:



Department Head/Elected Official

6/12/07
Date